

College Counts 529 Fund Board Meeting

May 11, 2011

9:00 a.m.

MINUTES

**Board Present:**

Chair Young Boozer

Mr. Dennis Beavers

Dr. Greg Fitch

Ms. Leigh Grogan for Chancellor Freida Hill

Mr. Daniel Hughes

Lt. Governor Kay Ivey

Dr. William Meehan

Mr. Ronald Stokes

**Absent:**

Mr. Willie Huff

Mr. Ricky Jones

**Others Present:**

Ms. Glenda Allred, Deputy Treasurer

Ms. Daria Story, Assistant Treasurer

Ms. Brenda Emfinger, College Savings Programs Director

Ms. Mary Frank Crew, Administrative Assistant

Mr. Matt Bledsoe, Attorney General's Office

Mr. Jay Steinacher, Union Bank and Trust

Ms. Valerie Jones, Union Bank and Trust

Mr. Trevor Jackson, Wilshire Associates

Mr. Mannik Dhillon, Wilshire Associates

Mr. Jeremy Thiessen, PCA Consultants

Mr. Steve Pelham, Lt. Governor Chief of Staff

Pursuant to written and public notice, the meeting of the Board of Directors of the CollegeCounts 529 Fund was held in the RSA Union Building, 6<sup>th</sup> Floor Conference Room on May 11, 2011.

**Agenda Item I.**

The meeting was called to order by Chairman Young Boozer at 9:00 a.m., with a quorum present.

Chairman Boozer introduced new board member, Mr. Dennis Beavers, providing background information and then introduced Mr. Matt Bledsoe, the Assistant Attorney General providing legal services for the Treasurer's office.

Chairman Boozer presented resolutions to commend retiring board members Mr. Willie Huff and Mr. Ricky Jones. A motion was made by Dr. Fitch, seconded by Dr. Meehan for approval. The motion was unanimously approved.

Chairman Boozer announced the appointment of Mr. Daniel Hughes as Vice Chair of the board.

**Agenda Item II.**

Chairman Boozer presented the minutes of the February 9, 2011 board meeting. A motion for approval was made by Ms. Ivey, seconded by Dr. Meehan with unanimous approval.

### **Agenda Item III. (A.)**

Chairman Boozer called on Mr. Steinacher for the quarterly program review. The report is attached for reference and summarized as follows:

- For the quarter ending March 31, 2011, total program assets were \$779.7 million with new contributions of \$33 million from out of state investors and \$17.3 million from Alabama residents. There were a total of 55,233 accounts. Alabama accounts increased by 1,174 for a total of 14,904.
- Since the August 2, 2011 transition to Union Bank, 3,336 new Alabama accounts have been opened.
- 22% of all accounts are an automatic investment averaging approximately \$118 per month.
- The Alabama counties with the largest number of accounts are Jefferson, Madison, Shelby, Mobile and Baldwin.
- Alabama statistics report 1,119,517 children under the age of 18 and there are 14,904 accounts. The in-state "success rate" is 1.33%.
- For the direct plan, the age based tracks are utilized by 77.5% of investors and for the advisor sold plan, 73.2% use the age based.
- The average age of an account owner is 46 and the beneficiary age is 11.
- The average account size in the direct plan is \$10,585 and \$14,821 in the advisor sold.

Mr. Steinacher introduced Valerie Jones for a marketing report. Ms. Jones discussed the previous quarter efforts to make presentations to various groups and to meet with advisors.

Mr. Steinacher stated that efforts would be forthcoming to market to employers. He stated that 63% of all accounts were being opened on line. Mr. Stokes expressed a need for advisors to be educated on the cost of college.

### **Agenda Item III. (B.)**

Chairman Boozer called on Mr. Jackson and Mr. Dhillon for the Wilshire Investment report. The report is attached for reference.

Mr. Jackson began by stating that the quarter had been positive with good growth in the GDP. The discussion of the economy included Japan, the oil crisis and Europe. Mr. Jackson also discussed growth vs. value and small cap vs. large cap equities, as well as fixed income performance.

Mr. Dhillon then discussed the direct and advisor plans, noting that returns for the quarter were positive. The following is a summary of the funds that were discussed:

**American Century Equity Growth** – although there has been a change in management personnel, the firm is becoming more institutional and there is no cause for concern.

**Blackrock Inflation Protected Bond** – Blackrock has increased tremendously in size as well as culture and personnel. There are some concerns among strategy going forward. If stability is challenged, a recommendation to replace the strategy may be warranted.

**Fidelity Advisor Mid-Cap II** – Fidelity has underperformed its benchmark and has a large cash position as well as a slightly more defensive position in a market that has consistently moved upward. No immediate action is recommended but Wilshire would like to see the fund mostly invested.

In summary, while these funds are being monitored, there is no cause for concern and the organizational changes should not impact performance.

Mr. Jackson discussed asset allocation stating that they were comfortable with the allocation and that annually, there would be a review to discuss the appropriateness of certain asset classes within the plans.

**Agenda Item III. (C.)**

Chairman Boozer called on the board's consultant, Mr. Thiessen for a performance review of the plans. The report is attached for reference.

Mr. Thiessen began with a discussion of the "Watch" status. The Harbor Large Cap Value fund was placed on "Watch" status at the February board meeting. Mr. Thiessen stated that the fund continued to underperform the benchmark and would continue to be monitored for 12 to 18 months. Currently the Vanguard Total International Stock Fund in the direct plan and the Northern Institutional International Equity fund in the advisor plan qualify for "Watch" status under the current guidelines but are not recommended for the list. He stated that the tracking error for both funds was due primarily to the "Fair Market Value" adjustment procedures and once the funds were adjusted accordingly, tracking should be within the probationary performance band.

Mr. Thiessen then discussed in detail recommendations for changes to the Investment Policy and Monitoring Guidelines. In summary, changes were needed to make the benchmarks in the Guidelines consistent with the Policy, to change the category of "caution" to "monitor", broaden thresholds for equities and widen the tracking errors. Following discussion, a motion was made by Dr. Meehan, seconded by Mr. Hughes for approval. The motion unanimously carried.

Chairman Boozer then updated the board on the status of the PACT program, stating that a settlement had been reached by the account holders, board and Attorney General. We are awaiting court approval.

Chairman Boozer then read a letter received from Union Bank and Trust which contained a \$10,000 donation, along with personal donations from several staff members, for disaster relief for the Alabama tornado victims. The board expressed heartfelt appreciation.

Mr. Hughes then expressed appreciation for the hard work of the staff, past Treasurer Ivey and current Treasurer Boozer in selecting such an outstanding program manager.

There being no further business, the meeting was adjourned by motion at 11:20 a.m.

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Brenda Emfinger, Recording Secretary

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Young Boozer, Chairman